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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,540	07/07/2000	Richard Elder	CITI0170-US	5478
27510	7590	12/08/2003	EXAMINER	
KILPATRICK STOCKTON LLP 607 14TH STREET, N.W. SUITE 900 WASHINGTON, DC 20005			CHANG, SABRINA A	
			ART UNIT	PAPER NUMBER
			3625	

DATE MAILED: 12/08/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/610,540

Applicant(s)

ELDER, RICHARD

Examiner

Sabrina Chang

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 22 September 2003.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-10 and 13-21 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-10, 13-21 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☒ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) Paper No(s). _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Response to Amendment

Applicant's amendments to claims 1 and 10, and cancellation of claims 11 and 12 – Paper 7, 9/22/03 – have been considered.

Response to Arguments

Applicant's arguments filed 9/22/03 – paper 7 – have been fully considered but they are not persuasive.

Shkedy, Generally

Applicant argues that the art of record, Shkedy, is not relevant art in that it does not disclose an auctioning system. Examiner respectfully asserts that while Shkedy does not disclose an auction in the traditional sense, i.e. buyers bidding on items for sale, it does disclose what is commonly known as a reverse-auction, i.e. sellers bidding on buyer contracts. While the applicant may argue that this is nonanalogous art, the Examiner respectfully asserts out that fundamentally the systems are the same regardless of the flow of money/goods.

Both traditional and reverse auctions require two exchanging parties, buyers and sellers, and a trusted third party to mediate the transaction. An auction is simply based upon the concept of competitive bidding by one of the exchanging parties for something in possession of the other exchanging party, whether the buyer for a seller's item or vice versa. Once the most competitive bid has been selected the trusted third party manages the transfer of goods and money between the two exchanging parties.

Shkedy discloses a more elaborate auction system, in that it involves the pooling of buyer interests to achieve economies of scale. However, Examiner respectfully asserts that Shkedy is,

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at its core, simply an auction system. Buyers input the products they desire, as well as their particular specifications for the purchase (posting items/contracts for competitive bidding) [Col 12, Line 59]. The central controller (trusted third party) maintains a database of the buyer's purchasing requests [Col 13, Line 65]. Potential sellers scan available contracts, via the database, and then place bids [Col 16, Line 63. Fig. 8] (competitive bidding). The central controller selects an "optimal bid", or lowest price matching all of the specifications of the purchasing contract, and then notifies both the buyer and the seller [Col 13, Line 1]. Both parties are mutually bound by the transaction.

The Central Controller is a financial institution

Applicant asserts that Shkedy does not imply that the central controller could be any trusted third party, a financial institution or otherwise. Specifically, the applicant points to the examiner's discussion of Shkedy's separation of settlement functionality. Examiner respectfully reasserts that the arguments made in the original office action – Paper 6, 3/19/03 – were made to emphasize the importance of a trusted network of buyers and sellers in Shkedy generally –to decrease fraudulent transactions.

Shkedy describes a number of means of verifying payment to and from both buyers and sellers including using an external credit check [Col 19, Line 29], digital cash [Col 19, Line 37], and smart cards [Col 19, Line 56]. Shkedy also specifically states that both buyers and sellers can set up accounts at the central controller that store money [Col 18, Line 57]. Such accounts would operate like conventional checking accounts and the central controller could withdraw money from the buyers (bidee) for deposit to the sellers (bidder) [Col 18, Line 64]. Further the

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central controller could then manage refunds/returns when the buyer does not find the received goods acceptable [Col 19, Line 9].

While Shkedy does not explicitly disclose that the central controller is a financial institution, it does disclose the ability for the central controller to access information from financial institutions and mimic the actions of a financial institution, by holding and transferring funds. The application of this argument is congruent with the one made in the first office action – fundamentally, the system of Shkedy, by verifying both exchanging parties, is dedicated to providing fraud protection in transactions between the buyers and sellers [See Paper 6, Page 4].

Miscellaneous dependent claims – Escrow accounts

Shkedy explicitly discloses that the central controller in addition to supporting refunds/returns for unacceptable goods/services also supports escrow account payment systems. Escrow accounts allow payments to be delayed until the seller completes delivery of goods while at the same time ensuring the buyer will in fact make payment [Col 20, Line 10]. The central controller establishes an escrow account as a temporary holding account. When the seller is awarded the contract, funds are transferred from the buyer to the escrow account. Only after the buyer has received the goods are funds transferred from escrow to the intermediary account. The buyer then may transmit a digitally signed release message to the central controller authorizing the release of the escrowed funds to the seller (buyer acknowledges conformance of the good).

Combination of Shkedy and ebay

Shkedy discloses the ability to proactively contact a seller to induce him/her to bid on a contract (i.e. enter the auction). Shkedy generally is a database-driven auction where the identities and histories of both buyers and sellers are stored at the intermediary.

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Ebay explicitly discloses the storage of purchasing history and different parties' online trading reputation.

Examiner respectfully asserts that the combination of Shkedy and the article "ebay" was proper given that both are database-driven auction systems and that the resulting system would provide for the capability to notify a party of a particularly attractive transaction (according to Shkedy), while taking into account the party's transaction history and trustworthiness (eBay).

A restatement of the rejection made in paper 6 is restated below.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-4, 9-21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy U.S. Patent No. 6,260,024.

Shkedy discloses a method and system for providing a bi-lateral auction at a central controller, via a computer network. Multiple buyers are combined to submit a group bid for sellers' products, in order to take advantage of economies of scale. The aggregation of orders demands that all contracts must be binding. As such, Shkedy specifically emphasizes that all parties be verified as holding an account at the central controller and that all parties have adequate credit to execute any transaction.

Before adding a buyer's forward purchase order, FPO, to the aggregated asking price, the central controller authenticates the buyer's identification number against a buyer database

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(identifying a population comprising...a potential buyer who are account holders at the central controller). The central controller may require that the buyer provide a credit card number and may also ensure that the buyer has sufficient credit available to cover the purchase price specified in the FPO [Col 5, Lin 61].

A seller then views these aggregated FPOs and places their own "bid" on the contract. The central controller authenticates the identity of the seller as well as verifying the seller's probable capacity to deliver the goods [Col 17, Lin 1]. Authentication involves the central controller extracting the seller ID from the seller's "bid" and looking up the seller's identity in seller database (identifying a population comprising...a potential seller who are account holders at the central controller) [Col 17, Line10].

The winning sellers/buyers are informed of the purchase. The seller transfers goods to the buyer. The central controller acts as the arbiter in cases where the goods do not meet the buyer's satisfaction. Upon completion of delivery and verification of buyer satisfaction, the central controller automatically confers payment to the seller [Col 18, Line 1].

Shkedy discloses an embodiment where the central controller can be comprised of three distinct elements, an operations server, that handles the posting and receipt of buyers' bids, a certificate authority, which authenticates the identify of buyers and sellers, and a settlement server, which verifies the ability of buyers to pay and the ability of sellers to deliver on FPOs and seller bids. Shkedy discloses that a bank, insurance company or other financial institution could act as the settlement server, establishing the identity of an individual, buyer or seller in that these financial institutions have the capability to back up their certifications and thus can insure both buyers and sellers against fraud. [Col 25, Line 49].

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Shkedy does not explicitly disclose that the central controller is a financial institution. In that the purpose of applicant's invention is to decrease the probability of fraud in an auction by first verifying the physical existence and the credit of a participant, Shkedy solves a similar problem by verifying the identity of an account holder. It would have been obvious to one skilled in art at the time that the central controller of the auction could have been any type of institution, including a financial institution, that has "account holders", in order to verify the identities of the auction participants and decrease fraud.

Claims 5-8 are rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy, as rejected in claims 1, in view of the article "eBay Launches the Most Comprehensive Trust and Safety Upgrades to the World's Largest Person-To-Person Trading Site" (January 15, 1999. PR Newswire).

Shkedy also explicitly discloses that the central controller could proactively contact a seller when a buyer requests an item that the seller can provide [Col 6, Line 47].

Shkedy does not explicitly disclose:

- Tracking auction performance histories for each buyer and each seller, where the histories include at least payment, purchasing, delivery and product conformance history
- Alerting a potential buyer based on the potential buyer's tracked purchasing history when a good is listed on the auction website that is in line with the potential buyer's tracked purchasing history

The article "eBay" teaches the tracking of an auction participant's performance, i.e. delivery of goods, payment scheduling, etc. [Feedback Forum, Deadbeat Bidder Policy] in order to reduce the incidence of fraud. The article does not disclose a bi-lateral, buyer driven auction. However in that both Shkedy and "eBay" are simply auctioning systems that seek to verify the identity of its participants, it would have been obvious to one skilled in the art at the time to

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modify Shkedy to include the ability to track an auction participant's past performance, as taught by eBay, in order to reduce the incidence of fraud. Further in that already Shkedy discloses the ability to proactively notify a potential auction participant of an item of interest, it would have been obvious to a skilled artisan to modify the system to notify the first participant specifically when an item, associated with a second participant who has an acceptable performance history – as taught by “eBay” – is available, in order to decrease the first participant's effort in finding desirable items for purchase.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Woolston discloses a traditional Internet auctioning system. Woolston does not disclose that the system's controller is a financial institution.

Koppel discloses a system and method of issuing pre-paid electronic debit cards. Koppel does not explicitly disclose an auction system.

Walker et al. discloses a method and apparatus for effecting bilateral buyer-driven commerce. Walker does not explicitly disclose that the central controller of the buyer-driven auction is a financial institution.

Nahan discloses a system and method for auctioning art. Nahan does not explicitly disclose that the central controller of the auction is a financial institution.

“Online Auctions Named No. 1 Internet Fraud Complaint for 1998” discloses the seriousness of fraud in online auctions. The article does not disclose specific means to solve the problem.

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THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

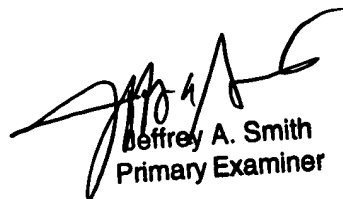
A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Sabrina Chang whose telephone number is 703 305 4879. The examiner can normally be reached on 8:30 am - 5:30 pm Mon.- Fri..

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Jeffrey Smith can be reached on 703 308 3588. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703 308 1113.

SC


Jeffrey A. Smith
Primary Examiner